

Minneapolis Community Development Agency

## Request for City Council Action

Date: October 14, 2003

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Charles Curtis, Phone 612-673-5069

Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject:** A Public Hearing and Request for Preliminary and Final Approval of up to \$680,000 in Tax-exempt City of Minneapolis Revenue Bonds, Series 2003, for Memorial Blood Centers.

**Previous Directives:** None

**Ward:** 6 2304 Park Avenue

**Neighborhood Group Notification:** Phillips West has been notified.

**Consistency with *Building a City That Works*:** The Memorial Blood Centers project is consistent with Goal 4 of preserving and enhancing the urban institutions and amenities that define Minneapolis.

**Comprehensive Plan Compliance:** The existing facilities are in compliance with the Policies of The Minneapolis Plan.

**Zoning Code Compliance:** Existing facilities are in compliance

**Impact on the MCDA Budget:**

☐ No financial impact

☐ Action requires an appropriation increase to the MCDA Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

X ☐ Other financial impact (Explain): The issuance of revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City.

**Living Wage/Business Subsidy:** The project is a non-profit conduit financing that is not subject to Living Wage / Business Subsidy.

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**Job Linkage:** Does not apply.

**Affirmative Action Compliance:** The Memorial Blood Centers will be in compliance by updating its Affirmative Action Plan prior to closing.

**RECOMMENDATION:**

**City Council Recommendation:** The Executive Director recommends that the City Council adopt the attached Resolution, a summary of which will be published, following a Public Hearing held on October 14, 2003, notice of which was published in Finance and Commerce on September 27, 2003, giving Preliminary and Final Approval to the issuance of up to \$680,000 in Tax-exempt Revenue Bonds, Series 2003, for Memorial Blood Centers.

Industrial Development Bonds (commonly known as IDBs or tax-exempt revenue bonds) have been used by the City of Minneapolis since 1972 to finance the capital needs of many small companies and organizations. Drawing on the work of other development agencies across the country, the MCDA has developed a financing program to provide cost-effective tax-exempt financing for small nonprofit organizations. Tax-exempt revenue bonds have often not been a practical financing option for small organizations in the past due to the high costs of borrowing. Providing a streamlined application and documentation process results in lower borrowing costs for nonprofit organizations.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION:

The applicant is a Minnesota non-profit corporation providing for the collection and distribution of donated blood products.

The proposed project consists of refinancing of an interim construction loan.

The construction project was for physical improvements at the facility, located at 2304 Park Avenue, that consisted of a laboratory.

The tax-exempt bonds or notes will be placed via a limited offering.

TYPE OF FINANCING:

<u>Sources:</u>	
Bond Proceeds	\$680,000
Equity	20,000
Total	<u>\$700,000</u>

<u>Uses:</u>	
Construction Loan refinance	\$680,000
Expenses	20,000
Total	<u>\$700,000</u>

PRESENT EMPLOYMENT: 152

NEW EMPLOYMENT: 0

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE: Tax-exempt organization

AFFIRMATIVE ACTION COMPLIANCE: An updated Affirmative Action Plan will be in place prior to closing.

MCDA IRB POLICIES:

Job Component Minimum standard of one (1) job per 1,000 square feet of building area.

Memorial Blood Centers: NA

Property Improvements No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.

Memorial Blood Centers: NA

Development Standards Compliance with the Land Use Plan Of the City's Comprehensive Plan.

Memorial Blood Centers: In compliance.

	Existing facility.
Equipment Financing	Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.  <u>Memorial Blood Centers:</u> 152 existing jobs.
Restaurant/Bank	IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.  <u>Memorial Blood Centers:</u> NA
Tax-exempt Institution	Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.  <u>Memorial Blood Centers:</u> 152 existing jobs.
<u>IRB CAP:</u>	The project is not subject to the volume cap, in that the project is exempt from income tax under Internal Revenue Code for its exempt purposes and is classified thereunder as a non-profit organization.
<u>BOND COUNSEL:</u>	Dorsey & Whitney LLP
<u>UNDERWRITER:</u>	Wells Fargo Brokerage Services, LLC
<u>COUNCIL MEMBER INFORMED:</u>	Ward 6
MINNESOTA DEPARTMENT OF EMPLOYMENT AND ECONOMIC <u>DEVELOPMENT APPROVAL:</u>	Approval will be on file prior to closing.

City Council Report Bond Final Approval

**Giving Preliminary and Final Approval to a Project and its Financing on Behalf of  
Memorial Blood Centers Under the Minnesota Municipal Industrial  
Development Act; Authorizing the Issuance and Sale of a Revenue Note;  
Referring the Project Proposal to the Minnesota  
Department of Employment and Economic Development for Approval;  
and Authorizing the Preparation of Necessary Documents**

WHEREAS, this Council has received a proposal that the City of Minneapolis (the “City”) issue its revenue note (the “Note”) under Minnesota Statutes, Sections 469.152 to 469.1651 (the “Act”) for the purposes of financing a portion or all of the cost of a proposed project (the “Project”), on behalf of Memorial Blood Centers, a Minnesota nonprofit corporation (the “Corporation”), and paying certain costs of issuance of the Note.

WHEREAS, the Project consists of the refinancing of all or a portion of the Corporation’s outstanding loan from Wells Fargo Bank Minnesota National Association, as successor in interest to Marquette Capital Bank, N.A., in the original principal amount of \$750,000, entered into for the purpose of financing improvements, consisting of a laboratory, to the facility of the Corporation located at 2304 Park Avenue in the City.

WHEREAS, at a public hearing, duly noticed and held on October 14, 2003, in accordance with the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended, on the proposal to undertake and finance the Project, all parties who appeared at the hearing were given an opportunity to express their views with respect to the proposal to undertake and finance the Project, and interested persons were given the opportunity to submit written comments to the City Clerk before the time of the hearing.

WHEREAS, this Council hereby finds that the issuance and sale of the Note in up to \$680,000 aggregate principal amount, under the authority contained in the Act to finance the Project, would promote the purposes contemplated and described in Section 469.152 of the Act and further promote the public purposes and legislative objectives of the Act and is in the best interest of the City and the City hereby determines to issue and sell such Note.

WHEREAS, the proceeds of the Bonds will be lent (the “Loan”) by the City to Corporation, in order to finance all or a portion of the cost of the Project and to pay certain costs of issuance of the Note.

WHEREAS, pursuant to a Loan Agreement (the “Loan Agreement”), to be entered into between the City and Corporation, a draft of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, the Corporation will unconditionally agree to repay the Loan made by the City under the Loan Agreement in specified amounts and at specified times sufficient to make the necessary payments of principal of,

premium, if any, and interest on the Note, when due. In addition, the Loan Agreement contains provisions relating to the payment by Corporation of the administrative fee of the City, indemnification, insurance and other agreements and covenants which are required by the Act or which are permitted by the Act and which the City and Corporation deem necessary or desirable for the sale of the Note.

WHEREAS, the Note, attached as an exhibit to the Loan Agreement, sets the interest rates, maturity dates and redemption provisions for the Note, establishes the various funds and accounts for the deposit and transfer of money and contains other provisions which are required by the Act or which are permitted by the Act and which the City and Corporation deem necessary or desirable in connection with the sale of the Note.

WHEREAS, pursuant to a Pledge Agreement (the "Pledge Agreement") to be entered into between the City and Wells Fargo Brokerage Services, LLC (the "Purchaser"), a draft of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, the City assigns and pledges all of its right, title and interest in the Loan Agreement (other than the right of the City to indemnification and payment of administrative expenses) to the Purchaser.

WHEREAS, the Note will be a special limited obligations of the City payable solely from amounts payable by Corporation under the Loan Agreement, other than to the extent payable from the proceeds of the Note. The Note shall not be payable from or charged upon any funds other than the revenue pledged to the payment thereof, nor shall the City be subject to any liability thereon. No holder or holders of the Note shall ever have the right to compel any exercise of the taxing power of the City to pay the Note or the interest thereon, nor to enforce payment thereof against any property of the City other than the Loan Agreement. The Note shall not constitute a debt of the City within the meaning of any charter, constitutional or statutory limitation.

WHEREAS, the Note will be purchased from the City by the Purchaser.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

THAT based on the public hearing, written comments (if any) and such other facts and circumstances as this Council deems relevant:

(a) The undertaking of the Project would further the general purposes contemplated and described in Section 469.152 of the Act.

(b) This Council has been advised by representatives of the Corporation that conventional, commercial financing to pay the cost of the Project is available only at such high costs of borrowing that the economic feasibility of operating the Project would be below that resulting from municipal borrowing and its lower borrowing cost.

(c) The City is authorized by the Act to issue its revenue note to pay, purchase or discharge all or any part of the outstanding indebtedness of a contracting party that is a qualifying organization previously incurred in the acquisition or betterment of its existing

facilities. The Corporation is a “qualifying organization” within the meaning of Minnesota Statutes, Section 469.155, subdivision 4, principally engaged in health care-related activities.

BE IT FURTHER RESOLVED, on the basis of the information given the City to date, it appears that it would be desirable for the City to issue its revenue note under the provisions of the Act to finance the Project in the maximum aggregate face amount of \$680,000, the interest on which will be excludable from gross income under Section 103 of the Code (the Note).

BE IT FURTHER RESOLVED, that the issuance of the Note to finance the Project shall be subject to approval of the Project by the Minnesota Department of Employment and Economic Development (the “Department”). The Application to the Department (the “Application”), with attachments, is hereby approved, and the Mayor, Finance Officer and President of the Council or other authorized representatives of the City are authorized to execute said documents on behalf of the City.

BE IT FURTHER RESOLVED, that in accordance with Section 469.154, Subdivision 3 of the Act, the Mayor and Finance Officer or other authorized representatives of the City are hereby authorized and directed to cause the Application to be submitted to the Department for approval of the Project. The proper officers, employees and agents of the City are hereby authorized and directed to provide the Department with any preliminary information needed for this purpose and to assist in the preparation of such documents as may be appropriate to the Project, if approved by the Department.

BE IT FURTHER RESOLVED, that the City hereby authorizes the issuance of the Note, as a revenue note under the Act, in the aggregate principal amount of up to \$680,000. The Mayor, the City Clerk and the City Finance Officer are hereby authorized to approve the purchase price of the Note, provided that the purchase price equals or exceeds 98% of the principal amount of the Note; the aggregate principal amount of the Note, provided that such principal amount is not in excess of \$680,000; the debt service schedule of the Note, provided that the Final Maturity Date, as defined in the Note, is not more than 30 years from the date of issuance thereof; the provisions for prepayment and redemption of the Note prior to its stated maturity; and the interest rates for the Note, provided that the interest rate on the Note shall not exceed 4.25% per annum. The Note shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City, except the revenues specifically pledged to the payment thereof, and the Note, when, as and if issued, shall recite in substance that the Note, including interest thereon, is payable solely from the revenues and property specifically pledged to the payment thereof, and shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

BE IT FURTHER RESOLVED, that the Note shall be executed on behalf of the City by the manual or facsimile signatures of the Mayor, the City Clerk and City Finance Officer, and its corporate seal (which may be in facsimile) shall be thereunto affixed, imprinted or engraved. The Note when executed and delivered shall contain a recital that it is issued pursuant to the Act. The City Finance Officer is hereby designated as authenticating agent pursuant to Minnesota Statutes, Section 475.55. If any of the officers who shall have signed or sealed the Note shall cease to be such officers of the City before the Note so signed and sealed shall have been delivered by the City, the Note nevertheless may be issued and delivered with the same force and



effect as though the person or persons who signed or sealed the Note had not ceased to be such officer or officers of the City.

BE IT FURTHER RESOLVED, that the Pledge Agreement and the Loan Agreement are hereby made a part of this Resolution as fully as though set forth in full herein and are hereby approved in the form submitted to this meeting, and the Mayor, City Clerk and City Finance Officer are hereby authorized and directed to execute, acknowledge and deliver the Pledge Agreement and the Loan Agreement on behalf of the City with such changes, insertions and omissions therein as do not change the substance of the Pledge Agreement or the Loan Agreement and as may be approved by the Mayor, City Clerk and City Finance Officer, such approval to be evidenced conclusively by their execution of the Pledge Agreement and the Loan Agreement.

BE IT FURTHER RESOLVED, that the Mayor, the City Clerk, the City Finance Officer and all other officers of the City are hereby authorized and directed to execute and deliver all other documents which may be required under the terms of the Pledge Agreement or the Loan Agreement, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

BE IT FURTHER RESOLVED, that in the absence or disability of the Mayor, the City Clerk, the City Finance Officer or any other officer of the City named in any instrument to be executed on behalf of the City in connection with the issuance of the Note, the acting Mayor, Assistant City Clerk, Assistant Finance Officer or other officer may execute such instrument. The execution of any instrument by an officer of the City shall be conclusive evidence of its approval.

BE IT FURTHER RESOLVED, that the City Finance Officer is hereby designated for all purposes of the Loan Agreement and the Pledge Agreement as the City official authorized to execute on behalf of the City certificates, requests or consents as provided in the Loan Agreement and the Pledge Agreement.

BE IT FURTHER RESOLVED, that the Mayor, City Clerk and other officers of the City are authorized and directed to prepare and furnish to Dorsey & Whitney LLP, bond counsel, the Corporation, and the Purchaser certified copies of all proceedings and records of the City relating to the Project and the Note, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements contained therein.

BE IT FURTHER RESOLVED, that the Mayor and City Clerk are directed, if the Note is issued and sold, thereafter to comply with the provisions of Section 469.154, Subdivisions 5 and 7 of the Act.

BE IT FURTHER RESOLVED, that the Bonds are hereby designated "Program Bonds" and are determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.